Rent: A New Framework

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To fix the American economy, we must attack rent—of all kinds.

When most people hear the word "rent," they think of a check written to a landlord on the first of the month. And indeed, that is very much part of what is under the broad definition of rent—money exchanged for access to something that someone owns. However, from the perspective of political economy, rent—economic rent as defined under classical economic frameworks—is income derived not from creating value, but from controlling access to a scarce resource, whether that scarcity is

natural, manufactured, or legally enforced. Whereas labor income, and even capital gains, are related in some way to making, rent in this sense is taking. As formulated by Mariana Mazzucato (2018), rent is the surplus extracted from an economy not by contributing to it, but by sitting astride it.

The theoretical distinction between productivity and rent was something that tied together the classical economic paradigm. Smith and Ricardo argued that the landlord extracted, as opposed to created, value. Marx, in his critique of the political economy of the 19th century, extended this framework to capital and property owners, but still was rooted in classical economic theory. In each case, both classical liberal economics and early Marxist economics share a theory of value, wherein wealth is socially created and then captured as extractive rent. However, the neoclassical revolution and the marginal theory of value, while making important contributions to the understanding of prices and value, gradually elided this understanding in favor of a purely price-based framework, which can be summed up as "if you can charge it, then you have earned it."

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Today, as Mazzucato documents, an investment bank that profits from exchange rate volatility, a pharmaceutical company that prices a drug at over fifty times its production cost—and no, it is not R&D; most R&D is subsidized by governments—and a software platform that charges a "service fee" on every purchase, well in excess of operation costs, are framed as creating value, when all they have done is extract it, at least far out of proportion to value added (Mazzucato 2018).

Thus, I argue for restoring, extending, and modernizing the classical framework of rent.

Through this, I invoke Marx not to abolish the market, but to defend it; not to destroy free exchange, but to support it. You will not find support for Stalinist-style central planning in this essay, but you will find an analysis of how the rentier class drains wealth from the economy as surely as the Soviet nomenklatura did. A market built on extraction is many things, but it is not free.

The definition of rent I use here expands the Georgist rent framework and extends it beyond land. In short, *rent is economic or financial returns based on position, or positional leverage, as opposed to value creation subject to competitive pressure.* Land is the most obvious and glaring example, because land has a supply elasticity of zero—it can never be created, barring extreme measures like the dikes of the Netherlands or the diversion of rivers, or perhaps more fanciful projects like terraforming in space. But how can we empirically separate profit derived from added value from profit derived from position?

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Well, let us ask—what structures function similarly to “sitting on a tract of land and extracting value from it far beyond returns from value added?” I propose that control of vital infrastructure pipelines, through which resources or transactions must pass through without reasonable alternative, does this. Explicit legal barriers do this. And monopoly/monopsony/oligopolic capital concentration does this. And it is important to note that this framework is not binary—it is not a simple yes/no of “does the rentier add value versus does not”. It is a spectrum; a firm can add value, but still *extract* value far beyond the proportion of value added. So to answer this question, we must empirically determine which structures generate positional returns as opposed to value within a competitive market framework. There is precedent for us to be able to do just that.

I. Scarcity rent: the Georgist foundation

Land is the clearest, most salient example of the concept of rent. The economist Henry George, observing the rapidly advancing society he lived in, noticed a paradox—the same paradox Marx noticed. Market economies had produced hitherto unfathomable wealth, wealth that would have seemed miraculous to a previous generation. And yet poverty remained. And not merely remained, but actually in many cases worsened. How could this be? George, in *Progress and Poverty*, theorized a solution—that wealth was being extracted from society by the landowner. The logic seems novel today, but is quite straightforward. As noted above, land cannot be created. While labor and capital can make land more productive, or more habitable, they cannot increase the supply of land. As such, land is made valuable by what is on, and what is around it. So if a landowner opts not to develop a tract of land, and yet it increases in value anyways, what has that landowner contributed to its value? Nothing (George 1879).

This is the purest example of scarcity rent: income generated by exclusive ownership of something whose supply is fixed and whose value is socially created. This is the example most well-known to the average reader. But this essay seeks to extend the Georgist framework even further. The oil company may add value in extracting oil from the earth. But it did not create the oil. The cell phone company may add value by providing the infrastructure for cellular service. But T-Mobile did not create radio waves. The airlines hoard access to airspace, locking out competition—to the point of running near-empty “ghost flights” simply to retain valuable slots at congested airports (AirlineGeeks 2025)—and surely nobody would argue American Airlines created the air (Stiglitz 1977).

In every case, we see a scarce resource, valued for its natural properties, generating income for an entity that holds a title, regardless of whether that resource was improved. It is one thing for an oil company to extract crude oil, an airline to move people through airspace, or a telecom company to distribute spectrum. But they should only extract the value of the service—not the resource. This is,

of course, an argument for the Land Value Tax—to recover those extracted rents for the benefit of society. But it does not stop there.

II. Market power rent: when competition fails

But this is not the only type of rent. While rents on natural scarcity are obvious, and generally accepted, the concept of rent from market structure is more contested—but we all know what a monopoly is, and what the implications are. Thus, we can define monopoly and oligopoly rent as occurring when a firm—or a small group of firms—controls a market so thoroughly that it can charge prices above competitive levels and pocket the difference. The key distinction is that an oligopoly often does genuinely provide a service and thus add value. But the excess return above what a competitive market would yield is extractive, in the same way monopolizing land would be.

Marx identified this mechanism precisely. In *Capital* vol. III, he distinguished between differential rent—arising from differences in land productivity—and monopoly rent, which emanates from a market actor's ability to set prices well above the cost of production (Marx 1894). The monopolist's power to charge what the market will bear, rather than what production requires, transfers surplus value from buyers and workers to the monopolist without any corresponding increase in social wealth. This is the core of the Marxist critique of capital—that market production tends towards monopoly production tends towards wealth extraction.

Rent of this kind is everywhere in the economy of the 21st century, and Google, which controls roughly ninety percent of global search, is just one example (Ryan-Collins et al. 2023). Four airlines—Delta, American Airlines, Southwest, United—carry the overwhelming majority of US passenger traffic, and use this oligopoly power, combined with the immense upfront cost of airline capital investment, to charge prices well beyond what a more competitive market would bear. Hospital systems that have consolidated over the decades charge up to forty percent more than hospital systems that have not, and this has done nothing to improve quality or working conditions—pure monopoly rent whose costs are externalized not just onto patients, but onto the entire healthcare system (Papanicolas, Woskie, and Jha 2018).

III. Legal rent: when the state creates the scarcity

The third category is the most explicitly political: rent enforced not by market power or natural scarcity, but by force of law. Legal rent exists wherever the state creates and enforces a monopoly privilege—a legally mandated barrier to competition—that allows the privileged party to extract income they could not capture in a genuinely free market.

In the United States, there is no more blatant example than that of the car dealership. Every state in the United States prohibits automobile manufacturers from selling directly to consumers, requiring instead that sales pass through franchised dealerships. When one thinks about this for any length

of time, it is madness. There is no other class of goods that the law prohibits a manufacturer from selling directly to a buyer. And these laws had nothing to do with market logic or consumer safety—they were the direct result of political rent-seeking by car dealers, and maintained by political rent-seeking. This rent is baked into every car sold. A Goldman Sachs analysis estimated that direct sales would save consumers an average of $2,225 per vehicle (Independent Institute 2024). The difference is legal rent, collected by the dealership for performing a function that serves no one except the dealership. And on top of this, dealerships and manufacturers collude to push consumers into bigger, less-efficient, more expensive vehicles, because both make more margin on those—externalizing the cost onto society via higher emissions, more fatal accidents, and larger cars than most consumers would choose in a genuinely competitive market. It is also worth noting that car dealership owners are, as a group, extremely right-wing, and one might also note that the United States is currently ruled by someone who could fairly be called the Rent-Seeker in Chief. Thus is legal rent-seeking converted back into even more political power.

Credential gatekeeping is an understated but vast engine of legal rent. The share of the US workforce required to hold some kind of legally issued or legally recognized permit, certificate, or credential grew from approximately five percent in the 1950s to over twenty-five percent today. Once again, this had nothing to do with safety. This was a measure by incumbent practitioners using regulation to restrict entry and protect income (Obama White House 2015). And the examples range from the ridiculous to the socially catastrophic. Interior designers who need thousands of hours of training. Hair braiders who need a cosmetology license. Florists who need a license to arrange flowers. All ridiculous. But all pale in comparison to the restrictions on medical residency slots that enforce an artificial physician shortage, driving up costs and restricting access to care to protect existing physician incomes. Or the legal practice restrictions that prevent the creation of a market for lower-cost legal services, ensuring that regardless of the type of legal service needed, only full attorneys may provide it. Artificial scarcity becomes rent extraction becomes social inequity.

The abuse of patent protection, especially in pharmaceuticals, is yet another form of rent. In theory, the patent process incentivizes and protects innovation by granting temporary exclusivity. In practice, pharmaceutical companies extend, stack, and evergreen patents to maintain monopoly pricing for decades beyond any reasonable innovation incentive—especially given that a great deal of medical breakthroughs are the product of public, not private, R&D. They are collecting legal rent on publicly subsidized innovation (Mazzucato 2018).

And of course, no discussion of legal rent is complete without discussing zoning. While having some legitimate utility in separating dirty, dangerous industrial areas from residents, zoning restrictions have historically been a tool of racial and class exclusion. The Supreme Court decision that legalized residential zoning called apartments “parasites” on single-family areas—and this was the era of explicit racially exclusionary zoning (*Village of Euclid v. Ambler Realty Co.*, 272 U.S. 365, 1926). Today, zoning is a means of separating residents from their money, via restricting the density

of housing in a given area, dividing urban areas into commercial and residential areas, increasing automobile reliance, and creating artificial scarcity in housing—scarcity that stacks on top of the monopolization of the land housing sits on. The housing crisis is a crisis of rent, both in the colloquial and theoretical sense.

IV. Infrastructural rent: control of the chokepoint

The fourth category is perhaps the most relevant to the contemporary digital economy. Every digital transaction one makes online must pass through a payment processor, which charges a fee—a fee that is virtually invisible, but impossible to evade. This is an example of infrastructural rent: rent arising from the control of a chokepoint, a node through which others must pass to access a market, extracting a toll on every transaction that flows through it.

Visa and Mastercard process the vast majority of credit and debit card payments in the United States and charge merchants an average of two to three percent of every transaction. While providing a vast digital payment network is a service, they did not build the stores, manufacture the goods, or provide the labor. Amazon charges up to thirty to forty percent on seller transactions; the Apple App Store charges up to thirty percent, though it recently reduced this to fifteen percent for smaller developers. A great deal of physical infrastructure is similarly owned by equity holders who control chokepoints that competitors cannot reasonably replicate.

These are not simply market power rents—they are qualitatively different because the chokepoint position is self-reinforcing. As more merchants accept a payment network, it becomes more valuable. As more buyers use a platform, it becomes harder for sellers to exit. On both ends, the infrastructure becomes more and more essential, and the owner gains more and more control—while adding close to zero new value beyond the initial creation of the network. In addition, Visa and Mastercard have prohibited merchants from recovering their rents via user fees, banks set up interchange fee agreements that no new entrant can really challenge, and even payment alternatives like Google Pay largely build upon the Visa/Mastercard framework. Similar to a natural monopoly, in which high entry costs and robust economies of scale make it difficult for new entrants to compete, monopolies in infrastructure reinforce themselves because the structure of adoption means that the value of the platform scales with the amount of users, and new competitors simply cannot provide the same value from a standing start.

Now, in fairness—the maintenance of this infrastructure, and building and expanding these networks, is genuine value added. But the combination of network effects, cartel effects, and lack of anti-monopoly regulation means that payment processors extract far more in profit than the cost of operations—this is infrastructural rent. And we know this, because Australia and Europe have effectively capped it. By law, they have set interchange fees ranging from 0.2 percent in the EU to 0.5 percent in Australia, and this has not stopped those processors from operating in those

countries—they simply collect less rent (European Commission 2015; Reserve Bank of Australia 2016).

The Cambridge Journal of Economics, in a 2023 survey of modern rent extraction, identifies digital platform network monopolies, aggressive pharmaceutical pricing, and financialization as the dominant rent-extraction mechanisms of contemporary capitalism, and it is no coincidence that these have all emerged from the post-Reagan political economy which has destroyed antitrust institutions and captured and gutted the regulatory state (Ryan-Collins et al. 2023).

This is a real-world example of the delta between returns versus rent-extraction. It is not as if payment processors are having to eat losses in the EU and Australia that they must compensate for everywhere else. They are still profitable in those countries. But regulators and policy-makers were able to empirically determine what portion of the return was in proportion to value-add, and what proportion was extractive, and I propose this can be done in many other venues.

But this goes even further. Rent sneaks its way into the very food we eat. Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus—otherwise known as the ABCD companies—control approximately seventy to ninety percent of global grain trading (Clapp 2012). Four companies—Walmart, Kroger, Albertsons, and Costco—which operates in a somewhat different market segment—control the majority of grocery retail. The Big Four—Tyson, Cargill, JBS, National Beef—control eighty-five percent of US beef processing and a large portion of chicken sales, and are increasingly vertically integrated (Farm Action 2023). This is most egregious in the tournament system in which Tyson or Cargill owns the chickens, feed, and processing infrastructure, and uses that market power to impose high fees on farmers who cannot refuse without losing their contracted flock. Those fees are passed down the chain to the consumer. Even the seeds food is grown from are subject to extractive rent—Bayer-Monsanto, Corteva (DowDupont), and Syngenta-ChemChina together control roughly sixty percent of the global seed market, and force farmers via legal fiat to buy new seed every year (ETC Group 2019).

And the consumer goods one buys? Rent is present here too. Retail supply chains generally operate —especially for overseas goods—along a chain with multiple links: manufacturer, export agent, US importer, brand owner, distributor, retailer, consumer. Every link in the chain skims off the top. By the time a consumer is checking out, they are paying a significant markup for no other reason than there are several parties extracting margin at every step. The counter-example here, however, is controversial—it is Temu. And before we go on, one must understand that the vast majority of American consumer goods come from overseas. Temu is not uniquely exploitative, nor are its labor standards uniquely bad. There is no ethical basis for buying a good at Amazon or Target versus Temu—if one wants ethical consumption, there is thrifting (especially in electronic goods, where repair monopolies add yet another rent extraction layer) or buying artisanal goods.

So why are Temu's prices so much cheaper? Simple—they eliminate the vast majority of the links in the chain. No export agent, no US importer, no brand owner, no distributor, no retailer. They buy a product from a producer, then deliver it via a third party to a consumer. In some cases, they ship inventory to a contracted US-based warehouse before last-mile delivery. Temu consolidates more of the margin on the backend—but more value is passed to the consumer as well. Once again, it has nothing to do with systemically greater labor exploitation. It is simply cutting out middlemen. This is not a defense of Temu's business model. But it is a natural experiment in just how much rent is extracted by intermediaries collecting margin at every step of a supply chain.

David Harvey, drawing on Marx's theory of absolute rent, extends this to what he calls "class-monopoly rent"—rent extracted not from a specific natural or legal monopoly but from the structural position of a class that controls access to something others need (Harvey 1974). In this case, the class-monopoly form is, unhindered by our contemporary political economy, endemic to multiple vital nodes of the US economy, monopolizing the pipelines through which goods and services pass.

V. Marx in defense of markets

And thus, we come to the central irony of this work. This is, in substantial part, a Marxist essay. It uses Marxist and pre-Marxist classical analyses of rent and value to make its case. The reasoning would have been recognizable to Marx, George, Ricardo, or Smith. But the conclusion is far different. Marx believed markets should be replaced and the commodity form abolished. While I believe in the decommodification of certain vital goods, I fundamentally believe in markets as an irreplaceable information-aggregation and resource-distribution mechanism.

But markets are a tool. A tool can grow rusty. A tool can degrade. A tool can stop doing what it is supposed to do. What I advocate is a political economy that shapes the market to do just that.

The record of central planning is a record of failure. The neoclassical and libertarian economists are right about this. Hayek and Schumpeter and Friedman are correct here. We have no viable replacement for price signals. But we do not have markets that do what their defenders claim, because rentiers have captured both our markets and the political structure that ought to regulate them.

A labor market where the alternative to submission is starvation is not a free market—it is coercion. A housing market where laws and regulations enable land to be held unproductively for speculative value is not a free market—it is exploitation. A pharmaceutical market where patents, built heavily on tax-subsidized research, can be extended indefinitely is not a free market—it is a legally mandated monopoly. A digital economy where there are only a few viable payment processors is not a free market—it is a toll booth on every street corner. This was once foundational to liberal economics. Smith hated the landlord economy and saw the land-holder as unproductive. The Physiocrats of Enlightenment France viewed land as the core source of value. Marx is often, and fairly, posed as an

ideological adversary to liberalism, but he built on these insights far more than he built on Hegel. And his analysis is correct—competitive markets push down returns, but market participants seek to regain those returns via position rather than value-add.

So the conclusion? Set the market free.

If the problem is extractive rent, then the solution is to remove it, as much as possible. What does this call for? A full policy response suite is beyond the scope of this essay, but here is a short overview, broken down by the type of extracted rent addressed:

Scarcity rent—The Land Value Tax is the classical instrument, and its logic extends beyond land. A federal LVT assessed on the full unimproved value of all land recovers for the public the socially created value that landowners currently capture by holding title. A second, higher rate assessed specifically against unimproved and speculatively held land makes idle land-banking economically irrational—a landowner sitting on a vacant parcel faces escalating carrying costs until development, sale, or public acquisition becomes the rational choice. The same principle applies to spectrum: radio frequencies allocated by public license should carry use-it-or-lose-it conditions as well as royalty structures that recover their rental value for the public. Water rights in the American West, many of them century-old grandfathered claims on an increasingly scarce public resource, deserve systematic review and market reform to better serve the public.

Market power rent—Antitrust enforcement, gutted since the Reagan era, must be rebuilt with structural remedies rather than behavioral ones. The standard should be statutory and clear: no four firms in any major consumer-facing market may collectively occupy more than sixty percent market share. Below that ceiling, competition can function; above it, the market has structurally failed and intervention is mandatory. We must break up hospital monopolies, reform airline slot controls at congested airports, and apply this standard rigorously to food processing, grocery retail, seed production, and grain trading. Concentration is itself the problem—we need not wait for visible price effects to act.

Legal rent—Repeal every state law prohibiting direct automobile sales, either directly or by federal preemption. Reform occupational licensing to eliminate requirements with no demonstrable safety rationale—the florist, the hair braider, the interior designer should not be funding incumbent cartels. Eliminate medical residency slot caps, which function as a legally enforced physician shortage that drives up costs while restricting access to care. Implement strict patent term limits and close evergreening loopholes—a drug developed substantially on public research funding should not generate private monopoly rent for decades. Reform zoning nationally through federal preemption tied to transportation funding, mandating by-right multifamily development near transit and abolishing parking minimums.

Infrastructural rent—Cap interchange fees at EU and Australian levels—0.2 to 0.5 percent—through federal regulation. Apply common carrier requirements to dominant digital platforms, requiring non-discriminatory access on published terms. Break up vertically integrated food processing and distribution monopolies. Reform seed patent law to restore farmers' right to save and replant.

These measures are not anti-market. They are anti-monopoly. They are not anti-economic. They are anti-exploitation. We as liberals must reject the premise that defending the market economy against central planning requires accepting the status quo of extraction. A market built on rent is not a free market. It is a toll booth economy—one in which the rents flow upward, the costs flow downward, and the gap between them is called prosperity. It is long past time to set the market free.

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